ROUTING AND RECORD SHEET

SUBJECT: (Optional)

Meeting with LA Times reporter, Robert Toth

Executive Registry
82-13486

FROM:	EXTENSION	NO.
[redacted] Director, Office of External Affairs		STAT
		DATE 13 December 1982

TO: (Officer designation, room number, and building)	DATE RECEIVED	DATE FORWARDED	OFFICER'S INITIALS	COMMENTS (Number each comment to show from whom to whom. Draw a line across column after each comment.)
1. DCI				Material for your meeting with LA Times reporter Robert Toth, 4:00 PM Thursday, 16 December, which I plan to attend. The interview will be on background, meaning that he cannot cite you directly without express permission (OK to cite "a senior intelligence official). Attached are a brief backgrounder on Toth, topics he would like to discuss, and two recent articles he wrote on CIA.
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13 December 1982

Robert Toth, LOS ANGELES TIMES

Robert Toth, who has been assigned to cover national security affairs since his return as Moscow bureau chief in 1977, has written extensively on intelligence issues and is our main contact with the newspaper. He has been with the paper since at least 1973. Toth was detained by the Soviets for several days in 1977 on charges of having acted as a CIA agent in Moscow in connection with dissident Anatoly Scharansky's arrest for alleged espionage activities. Toth was reported to have been a perceptive analyst of Soviet events while he was assigned to Moscow. During former DCI Turner's tenure, Toth wrote critically of efforts to "open up" the Agency and reduce manpower. Since the advent of the current Administration, Toth's reporting has generally been favorable. Toth captured attention recently with his story of conflicts within the Administration on efforts to consolidate counterintelligence activities. (See attached articles)

13 December 1982

Topics that Robert Toth, LOS ANGELES TIMES reporter, would like to discuss with DCI on 16 December

1. Contrast between Casey and Turner Administrations. Has heard that the "analytical work rate" has increased under Casey, more NIE's, etc. Would like to discuss allegations that CIA still has an arms control bias, as exhibited during A-Team, B-Team exercise several years ago. Has heard criticism that CIA analysis reflects President Reagan "pre-election positions" on such issues as China; in other words, a slanting of analysis to suit the President.

2. Counterintelligence. Does DCI believe, for example, that he should head the entire counterintelligence effort?

3. The Prime Espionage Case. Claims that at meeting with LOS ANGELES TIMES staff on 17 November, the DCI said there was a damage assessment on the Prime case underway. Is there anything that can be said now?

4. Andropov. Interested in any biographic information that can be provided to improve the fuzzy picture that is currently available. Where will Andropov take the USSR in the future?

ARTICLE APPEARED
ON PAGE 16

LOS ANGELES TIMES
15 November 1981

Casey Lighting a Fire Under the Burnt-Out CI

but Problems Persist

By ROBERT C. TOTH,
Times Staff Writer

WASHINGTON—Despite an arrogant manner and a tendency to mumble, CIA Director William J. Casey has come a long way, even his critics concede, in restoring morale at the once badly shattered Central Intelligence Agency.

And spending for U.S. intelligence activities has been increased 10%, even though American agents overseas have not exactly been "unleashed" as President Reagan promised during the 1980 election campaign.

U.S. agents conducted about 10 undercover operations in the final year of Jimmy Carter's Administration, the same number as are now in progress.

"There is certainly more enthusiasm for (intelligence) operations now," one official said. "But they are limited by budget constraints, congressional oversight and the fact that this Administration does not yet have a coherent foreign policy which covert operations would be used to support.

"When they get their policy act together," this official predicted, "there will probably be more operations. The Carter Administration needed a moral rationale for such things. Until Afghanistan, they had none and there were virtually no clandestine activities for the first three Carter years.

Excuses Not Needed

"They saw the Soviet invasion as immoral, so gun-running (of Soviet-made arms from Egypt) to the Afghan rebels was justified. These (Reagan) people don't need such excuses," the official said.

But even as Casey and Reagan have moved to reinvigorate the nation's intelligence agencies, new problems have cropped up and some lingering, old problems have taken on new twists. For instance:

—The sordid "gun for hire" exploits of such former Central Intelligence agents as Edwin P. Wilson, who is accused of exporting terrorist equipment to Libya, have raised questions about the activities of CIA men once they leave the agency, especially those who use expertise

revived speculation about Russian "moles" inside U.S. intelligence agencies.

—The leaking of U.S. secrets to the press, although greatly reduced, has yet to be stopped.

The most recent case of leaked secrets found White House "hardliners" pitted against CIA "liberals," reversing past patterns, amid almost comic confusion.

The case involved a CIA plan, approved by the White House, to provide several hundred thousand dollars to political activists in Mauritania, an Arab country in northwestern Africa, to counter money funneled to Mauritania by Libya. It was laid before the House and Senate Intelligence committees in June.

House Democrats objected to the operation and wrote a rare letter of protest to Reagan, whereupon the proposal was killed.

Existence of the letter was leaked a month later by White House officials, sources said, in an attempt to embarrass CIA leaders, including Casey and Deputy CIA Director Bobby R. Inman, who opposed efforts to give the CIA domestic spying authority.

The White House officials, led by Richard V. Allen, national security adviser to the President, have pushed for a "stronger" executive order to the intelligence agencies to satisfy the "unleashing" promises made in the campaign and to improve U.S. counterintelligence capabilities.

The comic aspects then began. A Democrat on the House Intelligence Committee, based on second-hand knowledge, told a reporter the CIA plan was aimed at overthrowing, perhaps even assassinating, Libya's Moammar Kadafi. A White House official told a reporter, wrongly, that the target country was Mauritius, which is a black southeast African country. The correct country then was identified to calm the infuriated citizens of Mauritius.

"We shot ourselves in the foot with three countries over a plan that was never approved," one intelligence officer complained. "The KGB must still be laughing."

Radical changes in the executive order covering intelligence agencies, which White House officials sought, will apparently not be made. Most intelligence community officials oppose giving the CIA authority to infiltrate foreign-dominated domestic organizations, both on the principle that such work is better done by the FBI and because getting the CIA into the "domestic spying business" resurrects old fears about the agency for too little prospective gain.

Moreover, the FBI's counterintelligence division "does not need any unleashing," a senior FBI official said. "We have all the scope and range of authority we need to perform our mission." He also implied that he thought the FBI did not need any help from the CIA in its work.

Among congressmen on record against such moves are all the members of the Senate Intelligence Committee, both Republicans and Democrats. As Sen. Malcolm Wallop (R-Wyo.) put it, Reagan will be "pilloried" if he exposes "law abiding Americans to CIA scrutiny."

Concerns of Congress

At least one more draft of a Reagan executive order for the CIA, which is intended to replace the 1978 order issued by Carter, is being written "to reflect the concerns of Congress," according to senior intelligence officials. Its release is expected within a few weeks.

Casey must take some blame for the controversy. Although he backed the intelligence community's view against the White House in the end, he long failed to heed warnings that Congress was not prepared to loosen the reins very much on intelligence activities.

This was part of Casey's larger failure to take Congress seriously during his first six months on the job, congressional and other sources said. He usually sent Inman, a congressional favorite and highly respected professional intelligence officer, to explain his policies to the lawmakers.

"It was a mistake to rely too

much on Inman," a senator said. "We wanted to hear from the top man, to understand the basis of his policies. To send Inman to defend his (Casey's) policies was not being wholly responsive to us."

Another mistake almost cost Casey his job. This was the appointment of a political friend, Max Hugel, as his director of operations, or top CIA "spymaster." Hugel had virtually no experience in intelligence work. He was a businessman and Casey reportedly wanted to repair the CIA's ties to international corporations, which in the past had provided CIA agents with "cover" and even logistical support.

However, CIA professionals were upset with Hugel's selection because of his lack of qualifications and because it politicized the third layer in the CIA—after the director and deputy director—for the first time. It is widely believed that retired CIA men, who maintain close touch with old colleagues still on duty, contributed greatly to the effort that led to Hugel's abrupt departure.

Two former business associates of Hugel, Thomas McNeil and his brother Samuel, reportedly were the source of news stories charging that Hugel had engaged in illegal stock trading practices between 1954 and 1975. Hugel denied the charges but resigned within hours of their publication.

Casey's financial past raised senatorial questions and resulted in an investigation by the Senate Intelligence Committee, spurred by calls for his resignation. The committee has found no irregularities, according to its members.

Casey has other defects as a public official. Now 68 years old, he is a "mumbler" by his own admission. He also can be vague and imprecise on details, and once maintained that the Soviets had 2,000 agents in a Central American country when the total was "plain wrong, nowhere near that number," one official said.

Casey can be hostile and arrogant with the press. He has virtually shut down the CIA to reporters. "Who elected you to tell the American people what they should know?" he once demanded of a critical newsman. "When we think the American people ought to know something, we'll tell them."

But as the first director of Central Intelligence with Cabinet rank, and thanks to his personal rapport with Reagan ("I still call him Ronnie," he has said), Casey [illegible]

domestic policy, according to several senior officials.

"My impression is that because of his access, he gets in earlier on issues," one official said. "He attends all Cabinet and National Security Council meetings."

Casey has won and retained budget increases almost as large as those of the Defense Department when all other federal budgets are falling. This year's intelligence community funds have risen to the 1973 level after consideration for inflation—which is a measure of the deterioration of the community during the last decade.

"You can't rebuild capabilities overnight," a senior official said. "How long does it take to learn a foreign language fluently? To turn a physicist into a technical analyst? We need three to five years before we can be satisfied."

Under Casey, too, relations between the CIA and its sister agencies in the intelligence community are better than they have ever been, according to officials who were interviewed. This includes relations with the Defense Intelligence Agency and other Pentagon offices that are jealous of the technical spy systems they operate; with the FBI's counterintelligence division; with the National Security Agency; and with the intelligence and research division of the State Department, whose political and economic officials in distant embassies provide the bulk of the human intelligence reporting.

Casey achieves this in part by dealing directly with Cabinet officers, such as the secretaries of state and defense, rather than with their intelligence chiefs, as former CIA Director Stansfield Turner often did.

The activities of former CIA agent Wilson, who has made millions of dollars by selling his expertise in fields from explosives to creating phony corporate "fronts," has raised questions about the links he has maintained to current senior CIA employees. It has been suggested that his activities were tacitly sanctioned in hopes of personal gain or obtaining intelligence about Libya or other Arab countries.

Last week, in a highly unusual statement, the CIA denied any "official involvement" by the agency in the activities of Wilson and ex-agent Francis E. Terpil. It had concluded an internal investigation of the case, the CIA said, and had cooperated with congressional and law enforcement investigators.

There also is the possibility that U.S. intelligence agencies have been penetrated by Soviet agents. Wilson at one point reportedly tried to buy a U.S. computer program for electronic intelligence gathering and reconnaissance for resale to the Soviets.

In addition, a former CIA man confessed to selling secrets to the KGB, a former CIA guard sold the Soviets highly sensitive data about a U.S. spy satellite and two employees of a CIA contractor sold secret satellite information to the Soviets as well.

CIA officials once boasted that, unlike the KGB, no agency man had ever turned traitor. Now they say that no CIA man has turned traitor for ideology, only for money, in contrast to the main reason for Soviet defections. More broadly, fears are being revived that the CIA has been penetrated either by Americans who have sold out or by KGB men who are so professional that they have not been caught.

Some conservatives even believe the CIA is now so totally penetrated that "revitalizing the agency, instead of starting a new one, would only strengthen the possible KGB penetrators," according to Arnold Beichman, author of an article in Policy Review.

But a senior FBI counterintelligence official said he doubted that there has been lage scale penetration of the CIA or FBI by KGB "moles" as there was in the British secret services several decades ago.

"We have much more sophisticated procedures, including polygraph (lie detector) tests, than they had in prewar and wartime Britain," the official said. "We and the CIA know we're high priority targets for the Soviets, who have a very good service.

"I'm not saying we're immune from some guy going bad. But one of the tests of whether there are 'moles' is how successful our own operations are. If you have a good record, if none are aborted, it's an indication that you aren't penetrated, at least at a high level. We have had a high success rate."

ARTICLE APPEARED
ON PAGE 1

LOS ANGELES TIMES
7 NOVEMBER 1982

Counterspy Unification Bid Argued

Battle Brews Over Plans to Bring U.S. Efforts Together

By ROBERT C. TOTH,
Times Staff Writer

WASHINGTON—A major fight is brewing within the government over efforts to reform U.S. counterintelligence activities after completion of a secret study ordered by President Reagan on the threat to the nation posed by Soviet spies and other foreign agents.

A central element in the developing controversy is the question of how far the United States should move toward creating a single counterintelligence agency. Some intelligence officials believe greater centralization is needed to fight foreign spying, but others believe that such a move would rekindle old fears of a Big Brother in Washington spying on private citizens.

The presidential study of U.S. capabilities and resources in counterintelligence, overseen by William J. Casey, director of the Central Intelligence Agency, made more than 100 recommendations last August, Administration officials said.

Broader Issues Ignored

And the President has ordered Casey to examine ways to implement the findings, an Administration official said.

But the study was precluded from looking into the broader, more controversial issues underlying U.S. counterintelligence performance—such as whether the various agencies in the field should be better coordinated, whether they should issue a combined analysis of collected information and, ultimately, whether they should be reorganized into a single central agency.

Instead, this broader examination has been assigned to the President's Foreign Intelligence Advisory Board, composed of 19 private citizens under the chairmanship of former Ambassador and White House counselor Anne Armstrong of Texas. It has been directed to examine all aspects of the counterintelligence picture, including possible organizational changes.

Fear of Single Agency

This has raised fears within the intelligence community that a single counterspy agency may emerge and, if given police powers and authority to keep files on Americans, would raise the specter of a national security organization to spy on U.S. citizens.

"It would become the focus not only of liberal attacks for the rest of the century, reviving ghosts of the FBI files and (former FBI chief J. Edgar) Hoover, but also a target for penetration by the Soviets," said one government official who asked not to be identified.

"Decentralization also provides a way to get competitive analyses of the threat and of other data, to avoid the government being sent off in a wrong direction without adequate review," another official said.

On the other hand, there appears to be a unanimous view in the government that improvement is needed in the present decentralized system.

As now structured, the FBI spends 80% of the nation's total

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counterintelligence budget. The rest is spread among the CIA, the Defense Department, the Department of Energy (where nuclear weapons research is conducted) and other government entities.

Leakage of militarily related high technology to the Soviet Bloc has become particularly acute in recent years, adding to fears that within the U.S. government or among private contractors, there may still be undetected Soviet agents or individuals willing to sell secrets to Moscow.

Under the current system, the FBI has authority to coordinate efforts to collect counterespionage data in the United States. But it has no charter to analyze all counterintelligence data collected by the various U.S. agencies.

Moreover, the counterintelligence division of the FBI is chronically short-changed in the budget process. Last year, for example, the entire intelligence budget rose 12% in constant dollars and the FBI was authorized to hire about 1,500 more agents for counterspying.

Budget Increase Rejected

But the White House Office of Management and Budget refused to increase the budget of the Justice Department, of which the FBI is part.

"OMB told Justice to find money itself for the new agents," according to one Administration official, "but (Atty. Gen. William French) Smith said he had other priorities for the FBI: drug trafficking for example. So the FBI did not get more manpower or more money."

"This is not a fight over loosening restrictions on the government which were put in place during the 1970s," said an Administration official who supports the concept of centralized analysis and organizational consolidations.

"Look, it is not automatically destructive of American civil liberties just to look at organization aspects of this problem," said the official, who spoke on the condition he not be named. "And there is no 'hidden agenda,' as some people contend, aimed at eventually creating a central counterintelligence agency."

Other officials, however, while not denying the need for improving U.S. counterspy efforts, argue that the proposal for central analysis would bring all files together, creating momentum for a single counterintelligence agency.

Kenneth E. deGraffenreid, a National Security Council staff member with responsibility for counterintelligence, has written of the need for an organization to do central counterintelligence analysis, or "strategic multidisciplinary counterintelligence," as he put it in a National Strategy Information Center study two years ago.

He called for the development of a "national CI (counterintelligence) program whose broader scope would include NTM (national technical means, such as electronic eavesdropping satellite) systems, counterdeception and protection against foreign intelligence threats, and which would cut across jurisdictional lines of today's counterintelligence entities. . . ."

"The mission and purposes of such a new CI," he wrote, would be "to identify, neutralize and defeat" the Soviet KGB (secret police and intelligence agency) threat to the United States, including its efforts "against U.S. technology and the American economy."

It would also assist other agencies in countering anti-American propaganda, terrorism and hostage seizures, he suggested.

"While organization changes might be needed, a variety of measures might do equally well," DeGraffenreid wrote.

Harsh Words Exchanged

DeGraffenreid was a major proponent of the counterintelligence study ordered by President Reagan—a study that led to harsh words in the White House situation room last March between Casey and some White House officials over the question of who would head the study panel.

DeGraffenreid was also instrumental in persuading William P. Clark, within a few months after he became national security assistant to the President, to have Reagan sign a counterintelligence directive that Clark's predecessor, Richard V. Allen, could not or would not sponsor during his tenure.

In the directive, according to an Administration official, the President ordered a "thoroughgoing review of the hostile intelligence threat to the United States," including spying, electronic eavesdropping, technology transfer and so-called "active measures," such as Soviet disinformation and propaganda.

The directive called also for examination of U.S. counterintelligence "policy, capability, resources, strategy and organization" to detect, analyze and counter the threat, the official said, declining to be named because of the sensitivity of his position.

"There was and still is no one place in our government where the President can ask what is the true nature of the KGB threat to us, whether it is a low-grade problem or really worrying," the official said. "But he can ask the strength of the Soviet economy, Soviet military order of battle and practically any other thing of the intelligence community."

Casey and his then-deputy, Adm. Bobby R. Inman, reportedly took quick and angry exception to the presidential directive. Casey, in a personal confrontation with White House aides, succeeded in narrowing the scope of the initial study to resources and capabilities, with other aspects, including organization, to be studied later.

Eventually, the study produced over 100 recommendations from within the counterintelligence community.

They varied from traditional counterspy measures—more agents to trail the increasing number of foreign officials here or cutting down the number and travel flexibility of those foreigners—to measures to improve the physical security of U.S. facilities and standardize criteria for personnel security clearance among various agencies.

CIA Chief's Argument

Casey argued against undertaking the broader study for fear it would pit various counterintelligence agencies against one another—particularly the FBI and the CIA, which today have the most cooperative relationship in their history.

"It would have spotlighted weaknesses, which would be counterproductive when we are trying to rebuild the intelligence community," the Administration official said.

Implementing the study recommendations has proceeded slowly. In the view of some Administration officials, it has been hampered by the absence of a single "place" to consider the problem of effectively using more money and manpower across the many counterintelligence activities.

"For stopping the technology leaks to Moscow," one official said, "maybe Casey (as director of the Central Intelligence Agency) should run all the counterintel-

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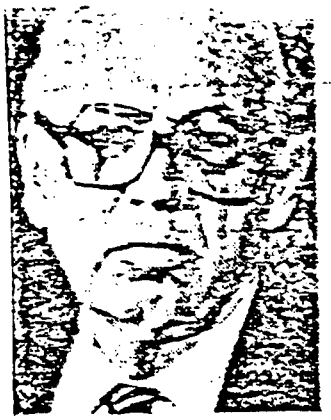

CIA Director William Casey and his deputies succeeded in narrowing the scope of the study.

Some suspect William Clark hopes to make an end-run around the intelligence bureaucracy.

ligence efforts. But (as the law stands) now, his authority stops at the water's edge, while the FBI and other agencies have the domestic responsibility.

"Also, the secretary of defense has 90% of the nation's secrets, and he's equal at least to the (CIA chief) in rank," the official continued. "So how can the (CIA chief) decide on how the defense secretary handles his contractors?"

To consider such questions, Clark asked the President's intelligence board to review all aspects of counterintelligence at least two months ago.

One Administration official maintained that the White House is impatient with the slow pace of implementing the Casey recommendations and restive about the lack of a unifying program to guide such implementation.

But other officials, who are suspicious of any efforts to reform the nation's counterintelligence system, suspect that Clark and DeGraffenreid were not satisfied with the Casey recommendations and intend to "end-run the intelligence bureaucracy," as one official said, by asking for the outside study, which will come up with more far-reaching reforms.

It was unclear, according to two officials, whether the Foreign Intelligence Advisory Board is conducting a totally independent study or will use the Casey recommendations as its basis for review.

The board was reconstituted by Reagan one year ago after former President Jimmy Carter abolished it. Led by Armstrong, who had served in the Nixon Administration, it includes many individuals identified as conservative on national security issues, including Clare Boothe Luce, Adm. Thomas M. Moorer, former chairman of the Joint Chiefs of Staff, and John B. Connally, who was a presidential hopeful in 1980.

The board has met on the study in the past but will soon begin intensive work in hopes of having at least an interim report for Reagan before the end of the year.